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FILED & ENTERED

MAY 11 2017

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY egarcia DEPUTY CLERK

**UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
LOS ANGELES DIVISION**

In re:

CARTEL MANAGEMENT, INC.

Debtor.

Lead Case No. 2:17-bk-11179-DS

Jointly administered with:

Case No. 2:17-bk-11181-DS
(Titans of Mavericks, LLC)

In re:

TITANS OF MAVERICKS, LLC,

Debtor.

Chapter 11

**ORDER: (1) APPROVING AUCTION SALE
FORMAT AND BIDDING PROCEDURES; (2)
APPROVING FORM OF NOTICE TO BE
PROVIDED TO PROSPECTIVE BUYERS; (3)
APPROVING FORM OF ASSET PURCHASE
AGREEMENT FOR PROSPECTIVE
OVERBIDDERS TO USE; AND (4)
SCHEDULING A HEARING FOR THE
COURT TO CONSIDER APPROVAL OF
THE DEBTORS' ASSET SALE TO THE
HIGHEST AND BEST BIDDER**

☒ Affects Both Debtors

☐ Affects Cartel Management, Inc. only

☐ Affects Titans of Mavericks,
LLC only

Date: May 10, 2017
Time: 2:00 p.m.
Place: Courtroom 1639
255 East Temple Street
Los Angeles, CA 90012

On May 10, 2017, the court held a hearing to consider approval of the "Motion For Entry
Of An Order: (1) Approving Auction Sale Format And Bidding Procedures; (2) Approving Form

1 Of Notice To Be Provided To Prospective Buyers; (3) Approving Form Of Asset Purchase
2 Agreement For Prospective Overbidders To Use; And (4) Scheduling A Hearing For The Court
3 To Consider Approval Of The Debtors' Asset Sale To The Highest And Best Bidder” (the
4 “Motion,” Docket No. 77) filed by Cartel Management, Inc. and Titans of Mavericks, LLC,
5 chapter 11 debtors and debtors in possession in the above-referenced, jointly-administered cases
6 (the “Debtors”), pursuant to Local Bankruptcy Rule 6004-1. Appearances were made at the
7 hearing as set forth on the record of the court.

8 The court, having considered the Motion, all of the pleadings filed by the Debtors in
9 support of the Motion, any objections to the Motion, and good cause appearing, hereby orders as
10 follows:

- 11 1. The Motion is granted.
- 12 2. The objections to the Motion, to the extent not otherwise resolved at the hearing on
13 the Motion, are overruled.
- 14 3. The Debtors’ proposed auction sale format and bidding procedures, as described in
15 the Motion and this Order, are hereby approved.
- 16 4. The Debtors’ proposed form of notice to be provided to prospective buyers, in the
17 form attached as Exhibit “1” to the Motion, is hereby approved.
- 18 5. The Debtors’ proposed form of asset purchase agreement for prospective buyers to
19 use, in the form attached as Exhibit “2” to the Motion, as specifically modified herein (the
20 “APA”), is hereby approved.

- 21 6. The APA is modified and amended in the following respects:

22 Section 4.2(c) of the APA is deleted in its entirety, and replaced by
23 the following:

24 “The cash balance of the Purchase Price shall be payable at Closing
25 by wire transfer of Good Funds to a segregated debtor-in-possession
26 bank account in the name of CMI at least two (2) business days
prior to the Closing Date.”

27 Section 9.7 of the APA is deleted in its entirety, and replaced by the
28 following:

1 “Governmental Approvals. Assuming that the Bankruptcy Court
2 enters the Sale Order, there shall be no further governmental
3 approvals required as a precondition to Seller’s consummation of the
4 transactions contemplated by this Agreement.”

5 Section 10.2 of the APA is deleted in its entirety, and replaced by the
6 following:

7 “Governmental Approvals. Assuming that the Bankruptcy Court
8 enters the Sale Order, there shall be no further governmental
9 approvals required as a precondition to Purchaser’s consummation of
10 the transactions contemplated by this Agreement.”

11 Section 17.15 of the APA is deleted in its entirety, and replaced by
12 the following:

13 “Escrow Holder Matters. Escrow Holder shall hold all of the
14 funds in the Deposit Account pursuant to the terms of this
15 Agreement, and shall not be entitled to receive any compensation,
16 administrative fee or expense reimbursement for serving as Escrow
17 Holder. Escrow Holder shall only disburse the contents of the
18 Deposit Account at the times and pursuant to the terms and
19 conditions set forth in this Agreement; provided, however, that if
20 there are any disputes and/or conflicting instructions from and/or
21 among the Sellers, Purchaser and/or any other relevant party in
22 interest regarding the disbursement of the funds in the Deposit
23 Account, the Escrow Holder shall either (a) not release any funds in
24 the Deposit Account until such dispute is resolved by the entry of an
25 order of the Bankruptcy Court or otherwise by agreement of the
26 parties, or (b) deposit any funds in the Deposit Account into the
27 registry of the Bankruptcy Court and commence an interpleader
28 action so that the Bankruptcy Court may determine the parties’
respective rights, if any, with respect to such funds. Escrow Holder
shall not be deemed to have assumed any fiduciary duty to the
parties hereto, and shall have no liability to any party for actions
taken in substantial compliance with the terms of this Agreement
and/or controlling court order.”

7. The Debtors have put together a “data room” which contains customary
information about the Debtors’ business. The Debtors will share this information with any buyer
who executes a confidentiality agreement (which can be obtained from the Debtors) and who
demonstrates to the Debtors that the buyer has the reasonable financial ability to participate in an
auction sale process within the required time frame (such as by providing verified proof of funds
or funding commitments in connection with potential bidders’ demonstration of financial ability).
To the extent that viable prospective buyers desire to obtain additional financial information from
the Debtors beyond the information that the Debtors have compiled, the Debtors will make every

1 reasonable effort to facilitate providing that additional information to the buyer, and the Debtors
2 will then add that information to the data room to make sure that all prospective buyers have
3 equal access to the same information. Interested parties will be provided contact information for
4 the Debtors' representatives.

5 8. The auction sale will take place on Thursday, June 1, 2017, commencing at 10:00
6 a.m., at the law offices of Levene, Neale, Bender, Yoo & Brill L.L.P. ("LNBYB") at 10250
7 Constellation Boulevard, Suite 1700, Los Angeles, California 90067.

8 9. Substantially all of the Debtors' assets related to "Titans of Mavericks" are
9 available to be purchased, free and clear of claims and interests, pursuant to 11 U.S.C. § 363(f),
10 except for those assets which are designated as "Excluded Assets" in the template asset purchase
11 agreement to be used by prospective bidders (which consist primarily of cash and avoidance
12 causes of action, and may include assets that are unrelated to "Titans of Mavericks").

13 10. In order to be eligible to participate in the auction sale, a prospective bidder will be
14 required to do the following four things:

15 a. no later than May 25, 2017, deliver to the Debtors in writing their opening
16 bid which must be in the minimum initial amount of \$1,000,000;

17 b. no later than May 25, 2017, deliver a deposit in the amount of \$50,000 to
18 LNBYB, which will be held in a segregated account and which will be fully and
19 immediately refundable if the bidder is not the winning bidder (or winning back-up
20 bidder) at the auction, but which will be non-refundable and constitute liquidated damages
21 in favor of the Debtors' bankruptcy estates (equally) if the bidder is deemed to be the
22 winning bidder at the auction sale, has its bid (and the Debtors' corresponding asset sale)
23 approved by the Bankruptcy Court, and fails to close its purchase of the Debtors' assets;

24 c. be deemed by the Debtors to be financially qualified to participate in the
25 auction sale; and

26 d. deliver to LNBYB, no later than 48 hours prior to the auction, any
27 proposed changes the bidder has to the template asset purchase agreement that the Debtors
28

1 have prepared and which can be obtained from the Debtors, and a schedule of contracts
2 and leases proposed to be assumed by the bidder. The deposit of the winning back-up
3 bidder will also be retained in the segregated account until the winning bidder closes its
4 purchase or until the winning back-up bidder closes its purchase or fails to close in the
5 manner described below.

6 11. The Debtors will determine the highest and best qualified bid to the extent there is
7 more than one qualified bid. That bid will be deemed to be the opening bid at the sale auction and
8 will be assigned bid #1 at the sale auction. To the extent there is more than one qualified bid, any
9 qualified bidders whose bids are not determined by the Debtors to be the highest and best
10 qualified bid will be randomly assigned bidding numbers by the Debtors. For purposes of
11 illustration, assuming there are three qualified bidders who attend the auction sale, the bidder
12 whose bid is deemed by the Debtors to be the opening bid (because it has been determined by the
13 Debtors to be the highest and best bid) is assigned bid #1. The bidding will then proceed to
14 bidder #2. Bidder #2 will then be required to submit a bid which is at least \$100,000 higher than
15 the qualified bid submitted by bidder #1 or drop out of the auction sale. The bidding will then
16 turn to bidder #3 and then back to bidder #1 and continue (with bidding increments of at least
17 \$100,000) until all bidders but one have dropped out of the auction sale at which point the bidder
18 who made the highest and best bid will be deemed the potential winning bidder. To the extent the
19 final bid amount of the potential winning bidder is acceptable to the Debtors, in their sole
20 discretion, as the winning bid, that potential winning bid will be determined to be the winning bid.
21 The bidder that submits the second highest and best bid at the auction sale may be deemed to be,
22 at the Debtors' sole discretion, the winning backup bidder.

23 12. If no bid is accepted by the Debtors as a qualified bid, or if no potential winning
24 bid is accepted by the Debtors as the winning bid, the auction sale will not proceed and/or will be
25 terminated with no winning bidder.


26 13. A hearing (the "Sale Hearing") will be held on June 7, 2017, at 2:00 p.m. for the
27 court to consider approval of the Debtors' sale of assets to the winning bidder at the auction sale
28

(as well as any request by the Debtors to assume and assign to the winning bidder any of the Debtors' executory contracts and unexpired leases that the winning bidder wishes to have assigned to it) and related matters. The Debtors will file a sale motion with the court by on or before May 17, 2017, and will file a supplement to the sale motion on June 2, 2017 disclosing and discussing the outcome of the auction, the winning bid (if any), and additional terms and conditions of the proposed sale.

14. Subject only to entry by the court of the sale order (the "Sale Order"), the winning bidder will have until the later of: (i) the first (1st) business day following the date on which all conditions to closing set forth in the agreed upon asset purchase agreement have been satisfied or waived, or (ii) the second (2nd) business day after expiration of the 14-day appeal period following entry of the Sale Order. If the winning bidder fails to close, the winning bidder will be deemed to have forfeited its \$50,000 non-refundable deposit unless the court or the Debtors agree to provide the winning bidder with an extension of time to close. If the winning bidder fails to close and forfeits its deposit, the winning back up bidder will be notified and will then have seven business days to close its purchase of the Debtors' assets or will be deemed to have forfeited its deposit unless the court or the Debtors agree to provide the winning backup bidder with an extension of time to close.

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Date: May 11, 2017


Deborah J. Saltzman
United States Bankruptcy Judge